



*Your retirement
planning handbook*





How do you plan to spend your retirement?

The first part of a good retirement plan involves how you see yourself investing your time when those longed-for days finally arrive.

Maybe you imagine being with family members a bit more often, sharing the wisdom that you've gained over your years in the workaday world, mentoring members of the up-coming generation or even informally writing about your life so that its details become part of the family legacy.

Perhaps you visualize yourself traveling to places you were always too busy to experience before, whether around the corner or around the world, for a week or a year, temporarily on a visit or permanently to live.

Possibly you can envision being free enough during your retirement to become involved, finally, in all those volunteer efforts you thought about so often during your working years; doing something positive for your community, the environment, or the world.

The real issue, though, is that unless you plan financially for your retirement, your vision of retirement will be grander than reality.



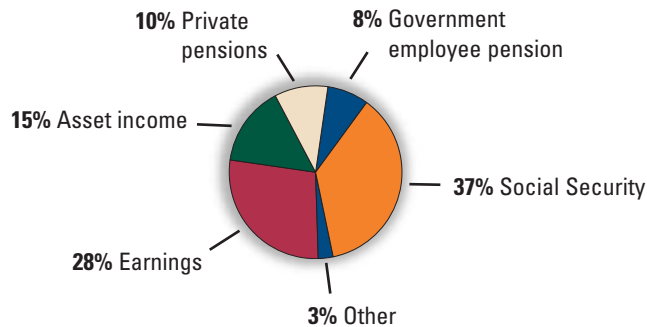
What will your retirement income look like?



Harnessing your resources

If your current financial situation is typical of that of most people, your retirement income may come from many sources. While Social Security has provided some retirement income for millions of Americans, the future of the program can best be described as murky. So, it may be important to place stronger reliance for financing your future retirement on the resources you can control today, such as your savings and investments.

Sources of retirement income for retirees



Source: Social Security Administration, *Fast Facts & Figures about Social Security 2008*.

Some taxing thoughts about Social Security

When people view their annual statements from the Social Security Administration, they see a set monthly amount, such as the ones in the chart below, and they may think instinctively that it's tax-free income. Well, that depends, since at least some of the benefits may prove to be taxable. If your income — plus half your Social Security benefits — exceeds \$32,000 for a married couple filing jointly, or \$25,000 for a single person, then a full 50% of your benefit amount will be taxable under current law. If your income plus half your Social Security benefits exceeds \$44,000 for a married couple or \$34,000 for a single person, then 85% of your benefits will be considered taxable income. The point to remember is that federal income taxes could have the effect of reducing your Social Security benefits, leaving you with less money than what you may have been counting on in retirement.

Source: IRS publication 915



Average 2007 monthly Social Security benefit

Retired workers	\$1,011
Widows and widowers	\$976

Source: U.S. Social Security Administration

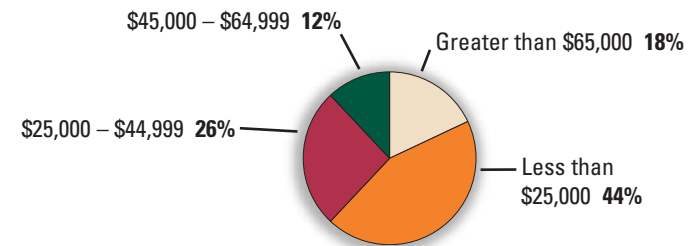
What type of retirement will you have?

Many individuals are not able to live the type of retirement you may want for yourself. According to a study,¹ new retirees need 75%–89% of their pre-retirement income to maintain their standard of living. However, most people age 65 and older have an annual income of less than \$25,000.

¹ Aon Consulting/Georgia State University 2004 Retirement Income Replacement Ratio Study.



Income of the population age 65 and older



Source: Social Security Administration, *Income of the Population Aged 55 and Older, 2004* (Released May 2006).

Planning for your retirement

Although retirement may be a distant goal, planning for your retirement should begin today.

Most people don't realize that even small amounts saved regularly can quickly add up. The longer you wait, the more you will need to save.

Assuming a rate of return of 8% on your account, to accumulate \$500,000 by age 65, you would need to save the following amounts each month:

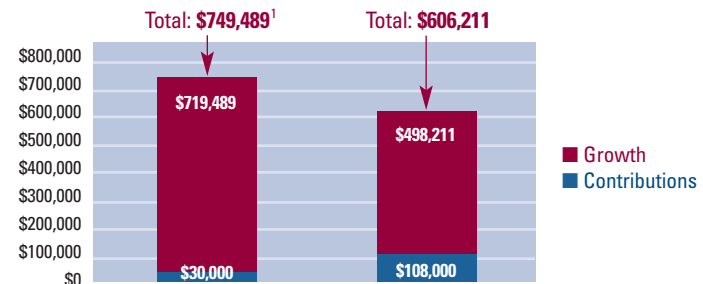
If you start saving at:

AGE	25	35	45	55
Amount	\$143/month	\$335/month	\$849/month	\$2,733/month

The 8% return is for illustrative purposes only and is not an indication of performance by any product. Your actual return will vary depending on investment performance.

Let's take a look at 2 people, Peter and Sue. Sue started saving in an IRA at age 20 and put \$3,000 away for the next 10 years, until age 30. Peter started saving in an IRA at age 30 and put away \$3,000 a year until he turned age 65. At age 65, even though Peter invested a total of \$108,000 to Sue's \$30,000, Sue still had more money to spend during her retirement.

Value of savings at age 65



Sue starts at age 20 and contributes \$3,000 per year for 10 years. Her total contribution is \$30,000.

Peter starts at age 30 and contributes \$3,000 per year until age 65. His total contribution is \$108,000.

Even though Sue invested less than a third of the money that Peter invested, because she started earlier, Sue has more money to spend during her retirement.

¹ Taxes may be due when money is withdrawn. A 10% IRS penalty may apply to distributions before age 59½.

This hypothetical example is not reflective of any product. It assumes an 8% rate of return on investments made on January 2 of each year. Your actual rate of return will depend on investment performance.

Time to do the numbers



As with so many people, you are probably bombarded with more information in a day than you can ever use. When it comes to your retirement, you need to access appropriate information to make decisions about the type of lifestyle to which you will want to retire. A worksheet follows that will provide you with the means of accessing that information. It will be an objective and straightforward listing of facts and figures that you provide yourself. You can then take these facts and figures into account as you make a decision about what to do to finance your retirement. Whatever you decide, it will be a decision formed by your own information, knowledge and goals.

If, after using the worksheet, you find something more needs to be done, a financial professional has tools that can more accurately determine what that something more can be.



Your monthly budget

How much do you currently spend each month?

Housing	\$ _____
Child care	_____
Transportation	_____
Food and beverage	_____
Clothing	_____
Furnishings	_____
Personal care and cash	_____
Medical/dental/Rx	_____
Education/self-improvement	_____
Debt/installment payments	_____
Entertainment	_____
Vacations/holidays	_____
Charitable contributions	_____
Other	_____

Total \$ _____

Budget total multiplied by 12 months equals your estimated current annual budget \$ _____

How much will you spend in retirement each month?

Housing	\$ _____
Child care	_____
Transportation	_____
Food and beverage	_____
Clothing	_____
Furnishings	_____
Personal care and cash	_____
Medical/dental/Rx	_____
Education/self-improvement	_____
Debt/installment payments	_____
Entertainment	_____
Vacations/holidays	_____
Charitable contributions	_____
Other	_____

Total \$ _____

Budget total multiplied by 12 months equals your estimated annual retirement budget \$ _____

Table A

Years until retirement	Inflation factor		
	3%	4%	5%
5	1.2	1.2	1.3
10	1.3	1.5	1.6
15	1.6	1.8	2.1
20	1.8	2.2	2.7
25	2.1	2.7	3.4
30	2.4	3.2	4.3
35	2.8	3.9	5.5
40	3.3	4.8	7.0

Multiply your annual retirement budget by your inflation factor in **Table A**.

The result is your estimated annual retirement living expenses in future dollars.

\$

How much do you expect to receive each year?

Social security income¹ \$ _____
 Pension income² _____
 Other fixed income _____
Total fixed income \$ _____

Multiply your fixed-income total by your inflation factor in **Table A** — this number equals your estimated fixed income in future dollars. ²

Will you have enough income?

Subtract line ² from line ¹ — this amount equals the amount of retirement dollars you need to fund on your own. ³

Multiply line ³ by 15³ — this amount equals the nest egg you will need to accumulate by retirement age. ⁴

¹ For a current benefit statement contact the Social Security Administration at (800) 772-1213 and request form SSA-7004 "Request for Earnings and Benefit Estimate Statement" or visit their Web site at www.ssa.gov.

² If you would like to receive pension plan estimates in current dollars, contact your employer.

³ It is estimated that you will need at least \$15,000 in savings or investments for every \$1,000 of annual income to keep up with inflation. However, if you plan to retire before age 60, you will want to use a factor of 17.6. If you are being very conservative, use a factor of 19.8.

Table B

Years until retirement	Average appreciation factor				
	6%	7%	8%	9%	10%
5	1.3	1.4	1.5	1.5	1.6
10	1.8	2.0	2.2	2.4	2.6
15	2.4	2.8	3.2	3.6	4.2
20	3.2	3.9	4.7	5.6	6.7
25	4.3	5.4	6.8	8.6	10.8
30	5.7	7.6	10.1	13.3	17.4
35	7.7	10.7	14.8	20.4	28.1
40	10.3	15.0	21.7	31.4	45.3

Do you have investments earmarked for retirement?

Amounts currently held in:
 Housing \$ _____
 401(k), IRAs _____
 Mutual funds _____
 Annuities _____
 Other _____
Total retirement savings \$ _____

Multiply your total retirement savings by your average appreciation factor in **Table B** — this number equals the estimated future value of your savings already reserved for retirement. A financial professional may have software that can more accurately estimate future values depending on individual asset type. ⁵

Will your retirement savings be enough?

Subtract line ⁵ from line ⁴ — this amount equals the additional amount you need to accumulate by retirement age. ⁶

How much will you need to save?

Multiply line ⁶ by your investment growth factor in **Table C** — this number equals your minimum savings for next year.⁴ ⁷

⁴ To reach your retirement goal, it is assumed that you will be increasing the amount of money that you will need to save for your retirement nest egg by 5% each year until you retire.

Table C

Years until retirement	Investment growth factor				
	6%	7%	8%	9%	10%
5	0.1568	0.1531	0.1495	0.1460	0.1426
10	0.0600	0.0572	0.0545	0.0519	0.0494
15	0.0306	0.0284	0.0264	0.0245	0.0227
20	0.0175	0.0159	0.0144	0.0130	0.0117
25	0.0107	0.0095	0.0083	0.0073	0.0064
30	0.0068	0.0059	0.0050	0.0043	0.0036
35	0.0045	0.0037	0.0031	0.0026	0.0021
40	0.0030	0.0024	0.0020	0.0016	0.0012

Insidious inflation

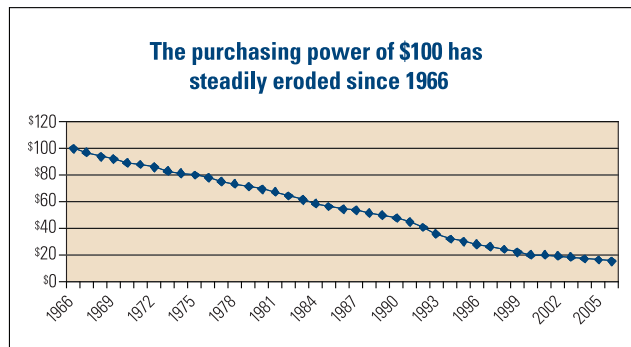
Saving money may not be enough. You will want to invest the money while being aware of the risks that could affect your retirement lifestyle.

Managing the risks

It is important to recognize and manage the different risks associated with investing. Too often, investors focus on only one type of risk, the risk that the investment may lose value. Other types of risk can effect your retirement lifestyle

Inflation risk

Inflation can silently eat away your nest egg. Inflation can quietly reduce the purchasing power of your dollar. The net result after inflation and taxes is that your “real return,” or how much you’ve actually gained after factoring in the impact of taxes and inflation, can be significantly less than your stated average annual return. And, unfortunately, the “safest” investments for income can be most susceptible to the risks of taxes and inflation.



Source: U.S. Department of Labor, Bureau of Labor Statistics — Inflation Calculator

Other risks to be aware of

Company Risk — The value of a particular company’s stock changes because of the company’s individual issues or investors’ attitudes about the its products and services

Credit Risk — The issuer of a bond could fail to make interest payments or repay principle upon maturity.

Currency Risk — Currency exchanges rates fluctuate and cause a change in value of your foreign investments.

Diversification Risk — A portfolio is invested to too few companies or industries.

Employer Stock Risk — Savings are tied to closely to one’s primary income source.

Interest Rate Risk — Bond and bond fund values change because of shifting interest rates.

Market Risk — The overall market increases or decreases causing your investments to change in value.

Your financial professional can help you control these risk factors though techniques like dollar cost averaging and asset allocation.

Source: FINRA.org

Inflation can quietly reduce the purchasing power of your dollar.

*Thoughtful investing —
now there's a good idea*

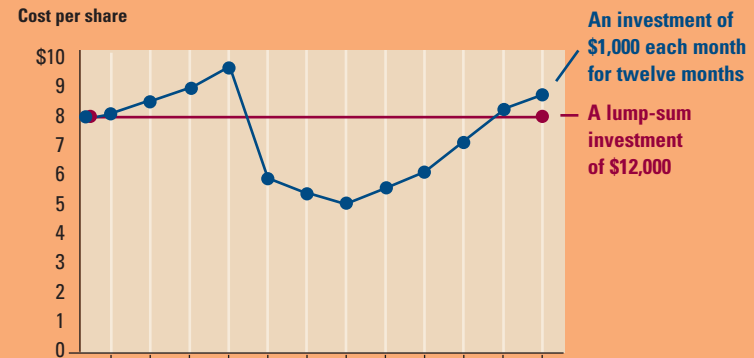
A law of averages that holds true for investing

Dollar cost averaging is an investment strategy that helps to take the guesswork out of when to invest. It's based on the proven investment philosophy of buying more of an investment when prices are low and less of the investment when the prices are high.

Dollar cost averaging does not treat the timing, the amount, or the cost of an investment as strategic variables. It simply involves spending the same amount of money on an investment at equal times, e.g., \$100 a month, every month, for an extended period of time. The investments are made continually no matter what the investment's price might be at any one time.



Notice that when you spread your investment over twelve months, your average cost per share can be lower than your cost per share when you make one lump-sum investment.



At the end of twelve months:

Total shares purchased	Average cost per share
1,688	\$7.11
1,500	\$8.00

This example is for illustrative purposes only. Dollar cost averaging does not assure a profit and does not protect against loss in declining markets. Because of fluctuating prices, investors should consider their ability to continue purchases throughout periods of both high and low prices.

Investment selection

Understanding your investment style and financial goals

It's important to select investments that are appropriate for your personal investment style and your financial goals.

Your investment style is largely a reflection of how you feel about risk. Everyone wants the best return possible and no one wants to lose money, and that's a trade off.

Investments with a higher potential return will typically have a higher level of investment risk. And investments with less risk will often have a lower potential for return.

In general, very conservative investors with a low risk tolerance will need to accept lower, more stable returns to get the relative safety they desire. Moderate investors will trade a moderate amount of risk for potentially higher returns. And investors who seek aggressive growth with higher returns must accept the highest levels of risk.

Clarifying your financial goals is also important in selecting appropriate investments. Will meeting your goal require income, growth, or some combination of the two? What is your investment time frame? The answers to these questions will help determine which types of investments are best suited for your needs.

Asset allocation

Most investors are familiar with the concept of diversification — commonly stated as “*don't put all your eggs in the same basket.*” And that's the core principle of asset allocation.

Asset allocation is a strategy for dividing your assets among different asset classes — cash equivalents, fixed income such as bonds, and equities such as stocks — in a combination that suits your goals, your time frame, and your feelings about risk. The result is a portfolio that can help reduce the effects of volatility and enhance overall returns with an investment mix suited to your financial goals and your personal investment style.

Asset allocation can also help increase investment returns without increasing risk because different kinds of investments behave differently under various market conditions.



Determine your investment style

The Investor profile questionnaire enclosed below with this handbook will help you determine your personal investment style. Your investment style will help determine the right mix of investments that is right for you. Take some time to complete the questionnaire.

Time horizon

Your current situation and future income needs:

1. What is your current age?
A Less than 45
B 45 to 55
C 55 to 65
D 65 to 75
E Older than 75
2. When do you expect to start drawing income?
A Not for at least 20 years
B In 10 to 20 years
C In 5 to 10 years
D Not now but within 5 years
E Immediately

Long-term goals and expectations

Your views of how an investment should perform over the long term:

3. What is your goal for life investment?
A To grow aggressively
B To grow significantly
C To grow moderately
D To grow with caution
E To avoid losing money
4. Assuming normal market conditions, what would you expect from this investment over time?
A To generally keep pace with the stock market
B To slightly trail the stock market, but make a good profit
C To trail the stock market, but make a moderate profit
D To have some stability, but make modest profits
E To have a high degree of stability, but make small profits

5. Suppose the stock market performs unusually poorly over the next decade; what would you expect from this investment?
A To lose money
B To make very little or nothing
C To eke out a little gain
D To make a modest gain
E To be little affected by what happens in the stock market

Short-term risk attitudes

Your attitude toward short-term volatility:

6. Which of these statements would best describe your attitude about the next three years' performance of this investment?
A I don't mind if I lose money
B I can tolerate a loss
C I can tolerate a small loss
D I'd have a hard time tolerating any losses
E I need to see at least a small return
7. Which of these statements would best describe your attitude about the next three months' performance of this investment?
A Who cares? One calendar quarter means nothing
B I wouldn't worry about losses in that time frame
C If I suffered a loss of greater than 10%, I'd get concerned
D I can only tolerate small short-term losses
E I'd have a hard time stomaching any losses



Investor profile questionnaire scoring sheet

The Investor Profile questionnaire helps to determine the best asset mix for your investments, based on the answers.

Scoring

Answers are assigned points as follows:

A = 5 B = 4 C = 3 D = 2 E = 1

Question 1 _____ Question 3 _____ Question 5 _____ Question 7 _____

Question 2 _____ Question 4 _____ Question 6 _____

Total score _____

Overall investment risk tolerance

The overall investment risk score is mapped to one of the five asset mixes:

Points	Portfolio
<input type="checkbox"/> 7-10	Conservative
<input type="checkbox"/> 11-17	Moderate-conservative
<input type="checkbox"/> 18-24	Moderate
<input type="checkbox"/> 25-31	Moderate-aggressive
<input type="checkbox"/> 32-35	Aggressive



Model profiles

Conservative

Investment objective: Preservation

For investors who are primarily interested in preserving their investment principal. Investors who choose this model seek low volatility and a low probability of capital loss.

Moderate-conservative

Investment objective: Conservative

For investors who seek moderate capital appreciation. Investors who choose this model are comfortable with only limited swings in the annual returns earned on their portfolios.

Moderate

Investment objective: Balanced growth

For investors who seek higher potential growth with relatively stable capital appreciation. Investors who choose this model feel that maximizing returns is equally important to minimizing risk.

Moderate-aggressive

Investment objective: Capital growth

For investors who seek high potential growth. Investors who choose this model are willing to accept an above-average risk in exchange for greater potential gains.

Aggressive

Investment objective: Aggressive growth

For investors who want to build significant wealth over time and are willing to accept greater risk to do so. Investors who choose this model will tolerate large market fluctuations in value in exchange for potentially greater returns.



Common ways to save for retirement

There are many ways to save for your retirement. Some of the options are only available through employers, others can be purchased directly by the individual outside of the employer. Different methods of saving offer different advantages.

Employer sponsored plans

401(k) plans are offered by many employers to help its employees save for retirement. The employer may offer matching contributions.

457 plans are offered by governmental agencies and nonprofit organizations. The plan is similar to a 401(k) plan.

403(b) or TSA — This plan can only be offered by non-profit organizations under IRC section 501(c)(3) and public schools.

SIMPLE IRA is a retirement plan that can be offered by small businesses. It allows for employees to put money in along with an employer contribution.

Individual ways to save

Mutual Funds — A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, or other securities.¹

Annuities — An annuity is a contract between you and an insurance company, under which you make a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments to you beginning immediately or at some future date. Annuities typically offer tax-deferred growth of earnings and may include a death benefit that will pay your beneficiary a guaranteed minimum amount, such as your total purchase payments.¹

Traditional IRA — A personal savings plan which allows you to set aside money for retirement, while offering you tax advantages. You may be able to deduct some or all of your contributions to your IRA. Amounts in your IRA, including earnings, generally are not taxed until distributed to you.²

Roth IRA Unlike a traditional IRA, you cannot deduct contributions to a Roth IRA. But, if you satisfy the requirements, qualified distributions are tax free.²

Variable universal life insurance has the unique ability of a death benefit. The death benefit can be used to help fund the retirement in case of the death of an income producing spouse. The build-up in cash value can be used to help fund other financial goals.

The type of investment vehicle you invest in can be as important as the investments inside. Each method of saving will have its own advantages and disadvantages. A financial professional can help choose the best ways for you to save.

¹ Source: <http://www.sec.gov>

² Source: <http://www.irs.gov>

How can a financial professional help you?

Offers objective recommendations

Many financial professionals are independent consultants who are not tied to a specific provider of financial products.¹ They can analyze your specific needs and recommend a broad array of possible solutions. Furthermore, they can offer objectivity in viewing opportunities and vulnerabilities that will help define realistic expectations.

Designs a comprehensive financial plan

Financial professionals can assist you with everything from debt management to retirement planning. They offer insights on budgeting, taxes, estate planning, trusts, insurance, and investment planning.² They can also work with your own tax attorney or accountant. Financial professionals consider every piece of the financial puzzle and fit your goals and priorities into a full-service financial strategy.

Provides an education

Financial professionals are good teachers. They can educate you about why it is important to save early for retirement, the impact of taxes and inflation, and the appropriate investments to consider based on your personal situation. They translate financial jargon into a language that you can understand.

¹ Most financial professionals work on a commission basis. Fee-based arrangements or a combination of fee and commission is also possible in some situations. Ask your financial professional to explain how he or she is compensated for their services.

² Woodbury Financial Services, Inc. and its representatives do not offer tax or legal advice. Always review your individual situation with your personal tax or legal advisor.



Provides personal service

Your goals and priorities are unique. Financial professionals listen to your dreams and design a step-by-step plan especially for you. Are you changing careers? Expecting a baby? Retiring early? A financial professional is with you every step of the way, offering advice and adjusting your plan to accommodate the many changes during your lifetime. The best financial planning website or Internet trading service cannot offer that level of personal service.

Offers knowledge and expertise

Financial professionals understand how different products work for different strategies. They apply wisdom gained as an investment professional to design a plan to meet your needs and goals.

Has tools to help you

Financial professionals have access to professional research and tools that may not be available to investors. The tools may include software to help create your financial plan and monitor your progress. Software can also help you maximize your investments while reducing the amount of risk you are exposed to. Often these tools are too expensive and complex for individuals to purchase. Some financial professionals are tied to a specific provider of financial products. Such “captive” financial professionals may only offer products offered by the provider.





Financial planning is not strictly about money. It's about the kind of life that you want to live with that money. Getting help can make all the difference.

Do you need a financial professional?

If you answer yes to any of these questions, it may be worthwhile to seek the guidance of a financial professional.

1. Do you know exactly what you want to do with your money, but you don't know quite how to do it?
2. Do you know exactly what to do and how to do it, but for some reason you never do?
3. Is your attitude toward financial planning based on the premise that someday you will have enough money to save toward your goals?
4. Do you struggle with finding enough time to manage your resources?

Consider this checklist when you interview financial professionals.

My financial professional:

- Is licensed and active in the financial services industry
- Is supportive of my goals and lifestyle
- Is compatible with my personality
- Is a good listener
- Is focused on my priorities
- Has a work ethic that meets my expectations
- Is not tied to any provider of financial products





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